

# **TRANSPORTATION REPORT**

From: Terry Whiteside

To: Montana Wheat & Barley Committee

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## **Canadian Government and Canadian Wheat Board File Separate Actions to Limit Each Other Power**

The Canadian Government filed on Tuesday, October 18th - Bill C-18 which does away with the 10 members elected by the farmers (leaving 4 appointed Board Directors) and effectively eliminates the Board over time. The Canadian Government vowed after the last elections to do away with the CWB and has set the time table for August 2012. Be mindful the CWB markets both Wheat and Barley from the prairie provinces.

## **CWB Directors Launch Lawsuit to Defend Farmers' Rights**

On Wednesday, October 26th the CWB's farmer-controlled board of directors announced that legal action will be launched against the federal government in defense of Prairie farmers' democratic rights.

"The Harper government has acted illegally and unethically in its attacks on the Canadian Wheat Board, and it must be stopped," said board chair Allen Oberg, a farmer from Forestburg, Alberta. "As it charges ahead, the government is mowing down everything in its way. The casualties will be democracy, due process,

Parliamentary debate and Canada's agricultural economy.

"We have no choice but to take this last stand on behalf of farmers. We will not be intimidated by bullies."

**The lawsuit**, states the government broke the law when it introduced Bill C-18 on Oct. 18 because it did not first conduct a plebiscite of affected producers, as required by Section 47.1 of the Canadian Wheat Board Act, which remains in force. Almost 40,000 producers participated in a CWB-run plebiscite over the summer and published in September, with 62 per cent voting to retain the single-desk marketing system for wheat.

"Not only is this government ignoring farmers' wishes, it plans to fire the 10 directors who are elected directly by farmers to run the CWB," Oberg said. "If it can remove a democratically elected board - simply because we disagree with them - Canadians should ask themselves who's next on their hit list. If they can ram this important legislation through Parliament by limiting debate, where does it end?"

"A majority government does not confer absolute power or create a dictatorship. Winning a majority of seats in the House of Commons does not bestow the right to sidestep rules created by previous governments in the interests of fairness, democracy and due process."

Oberg said he refuses to give up and "bow to the inevitable" as some have suggested.

"We will continue to do everything in our power to fight back against bullying by the federal government. This is not about saving the CWB. This is about farmers being allowed to decide for themselves whether they want this type of grain-marketing structure. All the evidence shows that they do."

Oberg said removing the CWB single-desk would harm Canada's agricultural

economy by transferring profits and power to large, foreign-owned grain corporations.

"Judge this action by who it will benefit," he said. "Canada is the last country on earth where huge multinationals cannot source wheat and barley. When the CWB is gone, that will change. Western Canadian wheat will be added to the corporate inventory, while Prairie farmers lose the benefits of being direct sellers.

"The Americans will finally win what they been fighting to get for decades. And Canada will receive nothing in return."

Oberg added that there is no business case for eliminating the CWB single-desk.

"The CWB has served farmers faithfully and well," he said. "It does a good job and most farmers want to keep it. So what is the logic of transferring control over wheat marketing from Prairie farmers to global corporations? Why is the government so eager to rip the CWB apart, in a mad rush that precludes solid economic analysis, fair consultation and careful deliberation?

"This kind of behavior ought to concern more than the farmers of Western Canada. It should raise alarm bells for us all."

The CWB's legal application and affidavits will be posted as soon as possible on its website.

Controlled by western Canadian farmers, the CWB is the largest wheat and barley marketer in the world. One of Canada's biggest exporters, the Winnipeg-based organization sells grain to over 70 countries and returns all sales revenue, less operating costs, to farmers.

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Editor's Note: As one can see - emotions run high on both sides of this issue in Canada. Expect at the end of the day, that the Federal Government will prevail and

effectively push their legislation through. The Federal Government does not want to be seen as overtly doing away with the CWB, so they will provide a path for the CWB to become a merchandiser but without financing and access to the export facilities, it will be very difficult for the CWB to survive in the long run.

## **Background:**

### **WHAT WE KNOW:**

The Conservative government in Canada will use its majority in the House of Commons to end the Canadian Wheat Board's monopoly on marketing wheat and barley, Agriculture Minister Gerry Ritz said in May, 2011. The government has now introduced on October 18, 2011 - Bill C-18, with the changes expected to take effect in August 2012.

"Everybody recognizes the complexity of this," Ritz told reporters in Ottawa. "It's going to take a certain amount of work."

"At the end of the day, certainly, there's a role for the wheat board to play. We'll have to work out just what exactly what that is."

The board, which dates back to the Great Depression, has been the focus of a bitter battle between the Conservative government of Prime Minister Stephen Harper and proponents of the marketing board.

The Conservatives have long fought to end the board's monopoly powers over the marketing of wheat and barley in Canada in favor of a dual marketing system that they say would give farmers a choice in how they market their grain.

The Canadian Wheat Board conducted a plebiscite in August, 2011 and announced on September 12, 2011 that 62% of the farmers voting want to keep the CWB's single-desk system with 38% voting for an open market system. The votes was nearly evenly split for barley marketing - with 51% voting to keep the CWB's monopoly

and 49% voting for the open market. In Ottawa, Agricultural Minister Gerry Ritz stated that the results would not change the government's plans.

Of importance to U.S. Wheat growers is that in all likelihood, Canadian wheat will move south into U.S. marketing channels. Those states that will see the most impact will be those states that border the Canadian border - Washington, Idaho, Montana, North Dakota and Minnesota. What is also unknown at this time is the amount of wheat and barley that Canadian merchandisers will push over Canadian rails (with U.S. partners) to export positions in the U.S. and/or Mexico vs. how much wheat and barley that will be trucked into the U.S.

The Canadian Wheat Board (CWB) is a single-desk state trading agency responsible for the marketing of all western Canadian wheat and barley sold for human domestic consumption and export. It is one of the largest and longest-standing public export-marketing agencies in the world, and it describes itself as the single largest seller of wheat and barley in the world.

Elimination of the CWB could or could not result in an increase in Canadian wheat exports to the United States because individual producers in Canada could export grain to the United States to obtain higher prices or vice versa. Wheat will be exported into the United States only because the net return to Canadian producers is higher than that obtained from shipping to offshore markets from Canadian ports. Any change in transportation costs, either offshore or domestic, or a change in the relationship between world and U.S. domestic wheat price will affect the level of Canadian exports to the United States. The CWB is currently probably providing a leveling effect on the quantity of Canadian exports. In some years, the U.S. market may provide better returns than offshore markets, and in other years it may not; note however, until the recent import duty at the beginning of the decade, the level of Canadian exports to the United States had been relatively constant.

The general thinking is that transportation costs (via truck or rail) to the United States

for Canadian producers near the border are lower than those for other Canadian producers. Without the CWB, most Canadian producers along the border may be able to maximize their profit by shipping their grain to elevators in Idaho, North Dakota, Montana, Minnesota and Washington. However, there is evidence that rail rates east and west from Canadian origins, may work against that theory. As a result, it is not clear at this juncture if the elimination of the CWB will increase Canadian exports to the United States.

The in-country lifting/merchandising costs are difficult to evaluate until it is clear what the role of the future CWB will be. It may be that if the CWB is eliminated entirely there may be increased competition between the grain handlers in Western Canada. This will likely result in lower handling/merchandising costs to farm producers in Western Canada but with the concentration within the grain handling industry in Western Canada and their close ties to the export facilities - it may be premature to predict country adjustments. It is too early at this juncture to predict what the effect of elimination of CWB will do to grain handling prices north of the border. It is widely assumed that Canadian grain companies near the U.S. Canadian border will seek to minimize any possible erosion of their market share by becoming more aggressive in their handling/merchandising charges. Generally it is acknowledged that grain handling costs north of the border are higher than the charges assessed Stateside in part due to cleaning of the grain. This is an offset when one looks at lower freight rates on the north side of the border. Look for the concentration/congestion at the waterfront at both Thunder Bay and Vancouver to have an impact on the survivability of country elevators on the prairies. It is very difficult to get waterfront space and time at the ports of Vancouver and Thunder Bay for loading. The essential facilities are owned by Viterro, Cargill and Richardson. These three companies are dominate and may control the survivability of the smaller elevators located on the prairies by limiting their access to export facilities at Prince Rupert, Vancouver and Thunder Bay. One of the key points the CWB has made to the Federal Government in negotiation about the future of the CWB is that in order to survive, the CWB must be given access to the

these export terminals controlled by the Big 3.

The CP is actively upgrading some of lines that provide cross-over position (to the U.S.) which would indicate that CP believes that there will be opportunities to move Canadian wheat to U.S. positions.